

ITEM: 08/123

DOC: 10

Meeting: Trust Board Part 1
Date: 16 July 2008

Title: **Audit Committee: Minutes of the meeting held on 10 June 2008**

Executive Summary: The attached minutes are in draft pending approval by the Audit Committee. They have been reviewed by the chairman of the committee. This was the first meeting of the newly-constituted Audit Committee, following the review of the committee structure by the Trust Board and the merging of the roles of the previous Audit Committee and the Assurance Committee.

The Trust Board approved the terms of reference at its meeting on 18 June 2008.

Action: To note and discuss any matters arising

Report from: Susan Sorensen, Director of Strategy and Performance

Sponsor: Anna Merrick, Chairman of the Audit Committee

Financial Validation Lead: Director of Finance	Name of finance officer n/a
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Compliance with statute, directions, policy, guidance Lead: All directors	Reference: Standing orders
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Compliance with Healthcare Commission Core/Developmental Standards Lead: Director of Nursing & Clinical Development	Reference: n/a
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Compliance with Auditors' Local Evaluation standards (ALE) Lead: Director of Finance	Reference: n/a
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Evidence for self-certification under the Monitor compliance regime Lead: All directors	Compliance framework reference: Appendix C3
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**Minutes of the meeting of the Whittington Hospital Audit Committee held on
Tuesday 10th June 2008 at 2 pm**

Present:	Anna Merrick	AM	Chairman
	Robert Aitken	RA	
In attendance:	Philip Johnstone	PJ	District Auditor, Audit Commission
	Keith Hosea	KH	External Audit Manager, Audit Commission
	Nick Atkinson	NA	Head of Internal Audit, Parkhill Audit Agency
	Nigel Sedgwick	NS	Local Counter Fraud Service – Parkhill
	Trish Donovan	TD	Deputy Director of Finance
	Deborah Wheeler	DW	Director of Nursing and Clinical Development
Minutes:	Susan Sorensen	SS	Director of Strategy and Performance

- 08/001** **Apologies for Absence** **Action**
Richard Martin, Director of Finance (RM)
- 08/002** **Minutes of the meetings of the Audit Committee held on 1st February 2008 and 20th March 2008**
It was agreed that the minutes of the two meetings were correct records.
- 08/003** **Minutes of the Assurance Committee held on 20th February**
The minutes of the meeting held on 20th February were received. RA had chaired the meeting and DW had been present and they confirmed the minutes as an accurate record.
- 08/004** **Minutes of the Clinical Governance Committees held on 12th March, 9th April and 14th May**
These were noted.
- 08/005** **Matters arising**
- 08/005.1 Minute 3 of the Audit Committee on 20th March referred to the updating of the Integrated Governance documentation in the light of the FT application. This will be brought to the next meeting of the committee. **RM/SS**
- 08/005.2 The Committee noted that the meetings above had taken place before the Trust Board decision to restructure the Board sub-committees, merging the former Audit Committee with the Assurance Committee. From now on, the Clinical Governance Committee and the Health & Safety Committee would report into the Audit Committee. SS reported that the Health & Safety Committee was due to meet in July and would therefore report into the next meeting of the Audit Committee. **PI/SS**
- 08/005.3 The Committee discussed how the detailed work on risk management previously undertaken by the Assurance Committee would now be handled. AM's view was receiving minutes of committees reporting into the Audit Committee would not be sufficient to give assurance, but nor would the Audit Committee have the capacity to take over the detailed work. SS reported that the whole risk management process was under review to provide timely

and integrated updating of the Risk Register and Assurance Framework. DW would discuss with CIC how the Clinical Governance Committee would report upwards in the light of the risk management review. RA requested that any references to gaps in control or assurance in the Assurance Framework should be reported to the Committee. The new reporting process should be reviewed in due course.

DW

SS

08/005.4 RA drew attention to a number of actions minuted by the Assurance Committee:

4e.3 Reference to infection control standards to be included in consultant job descriptions. DW made reference to the report from the Healthcare Commission Hygiene inspection.

DW

4g.3 It was noted that the risk register had now been cross-referenced to the Assurance Framework

DW

4j.1 It was reported that key risks had been prioritised in the capital programme by the Capital Monitoring Group

PI

08/005.6 AM noted that the Assurance Committee had included two patient/public representatives. It was confirmed that they had been advised that the March meeting would be the last they would attend.

08/006 Draft Terms of Reference

08/006.1 SS reported that a number of examples from other trusts had been reviewed. AM recommended the adaptation of ToRs from Guy's and St Thomas' Foundation Trust as they incorporated descriptions of the responsibilities and activity of the Audit Committee. They had been customised to reflect the Whittington's committee structure. In discussion, the following revisions were proposed and accepted:

SS

- 3.2 Add reference to counter fraud cases
- 3.3 Add reference to receiving the Head of Internal Audit Opinion
- 4. There should be explicit reference to the membership (all NEDs excluding TB chair) and quorum (two members)
- 4.2 Director of Facilities to be included in the list of executive directors in attendance
- 4.8 reference to private meetings with auditors should include internal auditors.

08/006.2 It was agreed that the programme of meetings, based on the annual audit plan, should be annexed to the terms of reference. The agendas should be structured so that executive directors would not necessarily be required to attend the whole meeting.

SS

08/006.3 In addition to minutes, there should be an action log produced following each meeting.

SS

08/006.4 The amended ToRs to be submitted to the Trust Board meeting on 18th June.

SS

08/007 Programme of Audit Committee meetings

08/007.1 A paper setting out a proposed meeting schedule was agreed. It was confirmed that meetings would be held at 9 am on the following dates (all Thursdays)

2008 4 September
 6 November

2009 8 January
 5 March
 7 May
 4 June

An indicative programme was agreed which will be finalised and circulated with the minutes.

SS

08/008 Assurance Framework and Risk Register review

08/008.1 The Committee received an updated version of the documents and a log of the most recent changes to the risk register. It was noted that cross-references to the Assurance Framework had been inserted in the Risk Register.

08/008.2 The committee was concerned that the Assurance Framework and Risk Register should be maintained as live documents to ensure that risks are owned and timely action taken. It was recommended that the risk register should be regularly reviewed by the Executive Committee who would then report key changes and action taken to the Audit Committee. Through this process the Audit Committee could then give the necessary assurance to the board on a quarterly basis that risks were being managed in real time, with no action points beyond the planned date.

DW

08/008.3 A review of the risk register identified the need for rationalisation and ensuring consistency in rating. This will inform the next update of the register and redesigned processes for its maintenance. RA agreed to provide detailed comments outside the meeting.

RA

08/008.4 It was noted that risk management will be a topic for detailed discussion at the Board seminar on 16th July. The revised risk register and Assurance Framework will be brought to the Board in September.

SS

08/009 FT Assessment Self-certification process

08/009.1 NA introduced proposed terms of reference from Parkhill Audit Agency for a piece of work to support the Trust in preparation for the Monitor self-certification process. The Committee discussed the proposal and agreed that Parkhill should review the existing availability of documentary evidence for self-certification and identify any gaps.

NA

08/010 Annual Accounts 2007/08

08/010.1 The Committee received the audited annual accounts and a covering paper from the Director of Finance highlighting the key features and changes from the previous year. It was noted that there were no surprises in the accounts but the committee sought clarification on a number of entries:

- Breakdown of "other income" p.12
- Consultancy services p.13
- Audit fees p.13
- Fixed asset impairment (Waterlow) p.13
- Debtors and provisions for bad debts p.20
- PFI deferred asset (Great Northern Building) p.30

08/010.2 Following discussion and explanation, the annual accounts were approved by the committee for onward submission to the Trust Board.

SS

08/010.3 The committee received the Finance Director's assessment of the trust's

DRAFT

position in relation to the going concern principle for the preparation of the accounts. The Committee confirmed its agreement to the recommendation that the going concern basis should apply.

08/010.4 The Statement of Internal Control was received by the committee. NA reported that he had not identified any significant gaps in control. It was noted that the SIC formed part of the annual accounts and was signed off by the CEO.

08/010.5 The external auditor, PJ, introduced his Annual Governance Report (ISA260). He commented on the smooth running of the audit two weeks' ahead of last year's timetable, despite the additional pressures of the FT application and DH/SHA. requirements. He drew attention to the two recommendations for the future arising from his review:

- The need for the non-financial element of the Annual Report to be provided earlier to meet Monitor's timetable. **SS**
- The need for a robust process for accruing for partially completed spells when operating in the FT regime. **RM**

08/010.6 PJ referred to the draft Letter of Representation from the Trust which was required prior to the issue of the audit opinion. The Committee reviewed the draft letter (Appendix 1) and the Independent Auditor's report to the Board of Directors (Appendix 2). The Committee agreed that the Director of Finance and Chair of the Audit Committee should sign the Letter of Representation. The Committee further agreed to recommend the adoption of the Annual Accounts by the Board. **AM**
RM

08/011 Report from External Audit

08/011.1 The external audit manager, KH, introduced the progress report on the 2007/08 audit. He drew attention to the sustained overall performance of 3 on the ALE score and indicated that there had been improvements on some individual KLOEs.

08/011.2 RA asked about the Trust's readiness for producing IFRS-compliant accounts (para 23). It was reported that detailed information was not yet available particularly Some trusts were reverting to their financial advisers in relation to accounting for PFI schemes.

08/011.3 AM sought guidance on the updated Statement of Responsibilities (para 30). It was agreed that the Committee would review at the next meeting. **KH**

08/011.4 It was agreed that the HM Treasury reports on financial management and performance management in the public sector (para 31) should be circulated for future consideration by the Committee. **KH**

08/011.5 It was agreed that the DH guidance on the health impact of climate change (April 2008) should be reviewed. **PI**

08/011.6 The Committee received the external audit plan for the 2008-09 accounting period. PJ pointed out that the plan would change if the Trust became a Foundation Trust as Monitor replaces ALE with an alternative assessment on the use of resources. Depending on the date of authorisation there was also the potential for part-year accounts, two separate audits and opinions. PJ would advise on the process in those circumstances. **PJ**

08/011.7 PJ informed the Committee that he would remain as the External Auditor, but KH would be leaving. He would attend the next meeting along with his replacement Don Bradley.

08/011.8 After discussion, the Committee accepted the external audit plan for 2008-09

08/012 Internal Audit report

08/012.1 NA introduced the Internal Audit Annual Report for 2007-08. The Head of Internal Audit opinion was that “ *significant assurance can be given that there is generally a sound system of internal control , designed to meet the organisation’s objectives, and that controls are generally being applied consistently*”. The full opinion was set out in Appendix 1 to the report.

08/012.2 He drew attention to the following areas where further work was required:

- Timing of the preparation of control accounts and journals
- Payroll system, particularly in relation to the shared services where it was acknowledged that there had been difficulties in implementing robust authorisation processes
- Recommendations arising from Standards for Better Health and corresponding action plans.

08/012.3 The table of outstanding recommendations (p22) was discussed. It was noted that 36 of the total of 97 recommendations had been re-iterated from previous years. AM expressed disappointed in this number and it was agreed that there would a report on the Capital Schemes follow-up at the next meeting. The Committee noted the IA annual report and opinion.

NA

08/012.4 NA introduced the Internal Audit Plan for 2008-09. He drew attention to the time allocated for payroll (20 days). He also highlighted the emphasis on topics within the business systems audit: HR (training), learning from complaints and staff rostering/temporary staff usage. He indicated that the computer audit would focus on information security.

08/012.5 AM queried whether the audit would consider implications of the FT application. NA said they would be look at cash management processes and check consistency between Board and monitor reporting.

08/012.6 In response to the observation from AM that the computer audit days were less than last year, NA that the allocation reverted to the norm excluding carry forward from the previous year.

08/012.7 The Committee approved the content and indicative phasing of the internal audit plan.

08/013 Counter Fraud

08/013.1 NS introduced the Counter Fraud Annual report for 2007-08. In response to a question on the trust’s non-participation in the Local Risk Management Exercise (para 3.2), it was agreed there was no perceived additional return as it overlapped with the internal audit work on procurement.

08/013.2 RA expressed concern about the apparent lack of police co-operation on a case of potential deception. The requirements for witness evidence and a

known suspect were noted.

08/013.3 The committee received the Counter Fraud plan for 2008-09 which proposed 81 days compared with 75 days in 2007-08. The plan included more awareness training and participation in mentoring schemes reflecting the trust's achievement of 3 stars in the Key Performance Indicators. AM asked about the purpose and effectiveness of the awareness training. NS reported that there was an annual survey to establish that fraud awareness was embedded. Fraud cases were reported internally and the intranet and internet pages updated. The Committee approved the Counter Fraud plan.

08/013.4 There was some discussion about the safeguarding of assets and security management (e.g. barcoding of equipment). Clarification of the reporting line for security management would be brought to the next meeting.

PI
SS

08/014 Tender Waiver report

08/014.1 TD introduced the report and explained that the list was longer than usual as there had been an element of catch-up on documentation. NA observed the large number of low value items which could be summarised along with the reasons for waiver.

TD

08/014.2 RA questioned whether any of the waivers could be challenged. The committee needed assurance around the process and legality of the waivers. Challenge was rare but the impact high. The follow enhancements to the process were proposed and supported:

- Higher profile of permitted justification for waiver of competitive quotations or tenders
- Evidence that procurement advice had been taken
- Relate value of waivers to turnover (aim for maximum of 0.5%)
- Analyse waivers by department and materiality

RM
PI
TD
TD

08/015 Audit Committee Annual Report

08/015.1 The chairman proposed she should draft the Annual Report for submission to the July meeting of the Trust Board.

SS

08/015.2 NA offered to forward examples of annual reports prepared by other trusts.

NA

08/016 Any Other business

There being no other business the chairman closed the meeting. Date of next meeting Thursday 4th September 2008 at 9 am.

SIGNED.....(Chairman)

DATE.....